

# City of San José

## THREE YEAR GENERAL FUND STRUCTURAL DEFICIT ELIMINATION PLAN STAKEHOLDER GROUP

April 28, 2008

All materials can be found at:  
[www.sanjoseca.gov/stakeholdergroup08.asp](http://www.sanjoseca.gov/stakeholdergroup08.asp)



### Preview Tonight's Meeting

- Finish Strategy #4: Ensure fees are fully cost recovery
- Strategy #5: Implement Landscape, Lighting District or other property-related fees
- Strategy #7: Shift Construction and Conveyance taxes
- Strategy #9: Increase Sales Tax

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## Preview May 5 Meeting

- Strategy #6: Restructure Business Tax Rate
- Strategy #8: Increase revenues from visitors/transients
- Strategy #10: Modernize Utility Users Tax
- Dot voting exercise to gauge group's priorities

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## Process Observations from Last Week

- Remember to focus on advantages and concerns of strategies
- Questions and clarifications welcomed and encouraged
- Maximize participation – hear from everyone

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## Urgent Strategy #4

*Ensure current fees fully  
cover all costs*

See Management Partners report pg. 66

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## Defining Fees and Taxes

- Fees
  - Specific government service, cost recovery for regulatory fees, market-driven for proprietary fees
  - Council Action
- General Tax
  - Revenue generation – General Fund
  - Majority voter approval
- Special Tax
  - Revenue generation – restricted purpose
  - 2/3 voter approval
- Assessment
  - Specific services, special benefit received by property owners
  - Majority vote of property owners

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## City Budget Principle

### Fees and Charges

*Fee increases shall be utilized, where possible, to assure that fee program operating costs are fully covered by fee revenue and explore opportunities to establish new fees for services where appropriate*

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## Example Current Fees

- Building Permits
- Parks Facility Use
- Solid Waste Disposal
- HazMat Inspection
- Taxicab Drivers Permit
- Animal Adoption

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## Strategy Description

Ensure current fees fully cover all costs

- The City collects fees and charges currently for many City activities
- Most are full cost recovery
- New fees options exist

## Strategy Policy Considerations

- Law allows for full cost recovery
- San José City Council set priorities/policies
- Fees can help manage service demand
- San José has lower per capita revenues than its peers

## Potential New Fees

- False Burglary Alarm
- Temporary Certification of Occupancy
- Sidewalk Repair Lien Administration Fee
- Business Tax Administration Fee
- Entertainment Zone

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## Potential Fees to Increase

- Parking Meters
- Parks, Recreation, and Neighborhood Services Facilities Rentals
- City Hall Rentals
- Advance Planning Fee

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## Potential Fiscal Impact

- On-going revenue generation
  - Directly affects General Fund (if fees are for General Fund activities)
- General Fund estimates of \$2 to \$9 million annually

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## Implementation Analysis

Authority to Enact	City Council Resolution
Timeline/ Key Steps	Two months: 08/09 Master Fee Schedule Fifteen months: 09/10 Master Fee Schedule and Implementation of New Fees

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## Urgent Strategy #4

Ensure current fees fully  
cover all costs

Advantages & Concerns  
Discussion

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## Urgent Strategy #5

*Implement City-wide Landscape  
and Lighting Districts or other  
Proposition 218  
“property-related” fees*

See Management Partners report pg. 74

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## Strategy Description

- Special financing district
  - Funds installation and/or maintenance of infrastructure assets, (e.g. street landscaping, trees, sidewalks, and lighting)
- Annual assessments based on special benefit each property receives
- Mail-in ballot process to all property owners

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## Other Jurisdictions

No new L&L Districts established since Proposition 218

Jurisdiction	Formed	Annual Funding	Services	Comments
Campbell	1980	\$1M; \$30-\$40 per parcel	Lighting, street lights, parks, landscape, curbs, gutters, sidewalks	Covers partial cost for services
Sacramento	1996	\$11M; \$44- \$69 per parcel	Parks and lighting	Built in annual COLA
Oakland	1993	\$17M; \$106/ parcel	Parks, street landscaping, trees	Voters rejected an increase in 2006

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## Strategy Analysis

### Example of Possible L&L District in San Jose

Service	Est. Total Annual Revenue	Est. Ave. Annual Cost per Parcel
Enhance and properly maintain street landscapes	\$6.5M	\$25.0
Structurally prune existing street tree inventory every 5 years Plant and establish 50,000 street trees along sidewalks	\$7.5M	\$28.0
Repair damaged sidewalks and curb/gutters	\$10.0M	\$38.0
Smart Street Light Retrofit	TBD	TBD

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## Potential Fiscal Impact

- Estimated annual revenue up to \$24M (without Smart Light Retrofit)
- Reduces on-going structural deficit up to \$15.6M (without Smart Light Retrofit)
- Reduces Deferred Maintenance Backlog by over \$50M over time
- Advances Green Vision goals

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## Implementation

Authority to Enact	Landscape & Lighting District Act of 1972 Proposition 218 Ballot
Timeline	2-3 years
Key Steps	Feasibility Analysis Engineering Report Public Outreach Develop Ballot Language, Poll

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## Urgent Strategy #5

Implement City-wide Landscape and  
Lighting Districts or other Proposition  
218 “property-related” fees

**Advantages & Concerns  
Discussion**

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## **Urgent Strategy #7**

Shift Revenues from Construction  
and Conveyance Taxes from  
Capital Projects to Operations and  
Maintenance and/or Raise  
Conveyance Tax

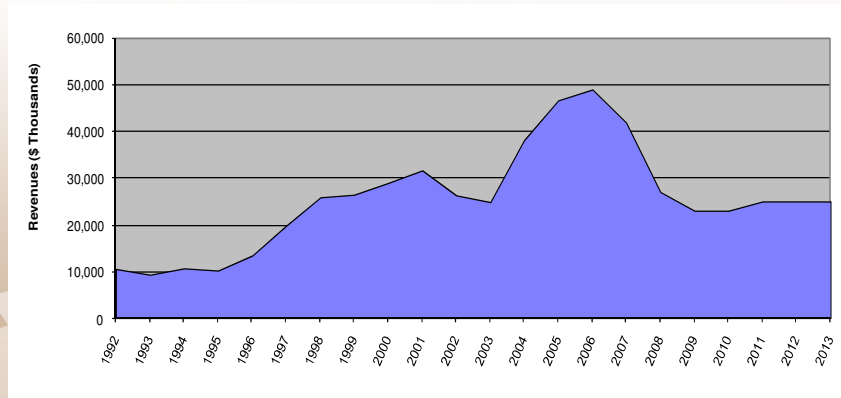
See Management Partners report pg. 104

## **Strategy Description**

### **Strategy Options**

- A. Increase Conveyance Tax, allow more Parks maintenance and potentially other uses
- B. No increase, allow more Parks maintenance
- C. No increase, Shift all revenues to General Fund
- D. No increase, Shift non-Parks allocation only

## Construction & Conveyance Taxes Revenues Vary Over Time



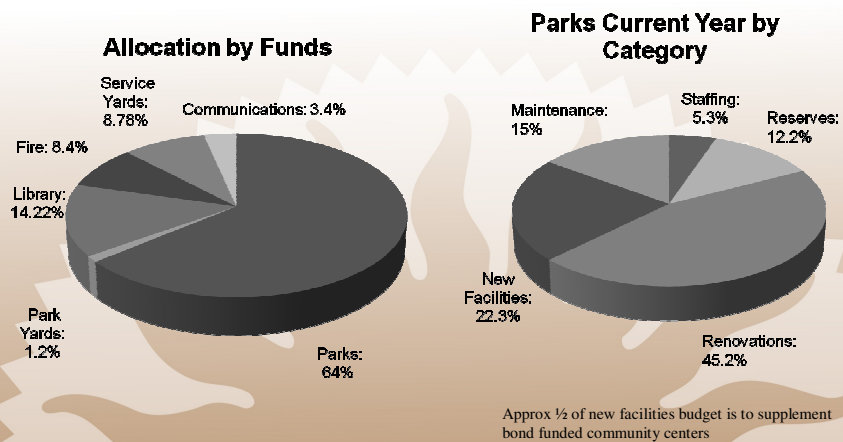
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## Allocation of Revenues



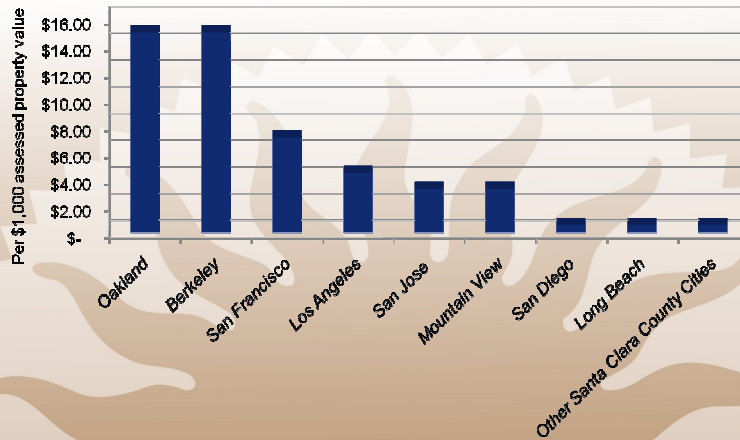
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## Peer Jurisdictions Conveyance Tax Rates



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## Potential Fiscal Impact

Options	Potential Fiscal Impact
A. Raise conveyance tax by 50% and shift up to 40% of parks allocation for maintenance	\$11.3 M new revenues including: \$6.6 M additional for parks maintenance \$4.7 M for other uses
B. No increase, allow up to 30% of parks allocation for maintenance	\$2.2 M additional for parks maintenance, corresponding decrease in capital
C. Shift all of the C&C tax revenues to the General Fund	\$20.8 M additional to the General Fund Corresponding decrease in Parks, Library, Fire, Service Yards, and Communication programs
D. Reprioritize the general allocation (up to 36% of the total C&C tax revenues) to other capital uses	Shifts funds from among capital programs, no change in overall funding

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## Strategy Analysis

- Examined Four Options by Objectives
  - Reduce City's budget deficit including deferred maintenance and infrastructure backlog (A, B)
  - Provide more flexibility in how operations and maintenance funds are spent (A, B, C, D)
  - Ensure revenues to address future infrastructure needs (A)

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## Implementation Steps

Authority to Enact	<u>Options:</u> A. Raise: 2/3 Voter Approval B. Shift within Parks: 2/3 Voter Approval C. Shift All: Majority Voter Approval D. Shift Non-Parks: Council Approval
Timeline/ Key Steps	June-August 2008: Council Approval, develop ballot language, survey November 2008: Ballot

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## Urgent Strategy #7

Shift Revenues from Construction and  
Conveyance Taxes from Capital  
Projects to Operations and Maintenance  
and/or Raise Conveyance Tax

### Advantages & Concerns Discussion

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## Urgent Strategy #9

*Increase Sales Tax to Provide  
Increased General Fund Revenues*

Management Partners Report: pg. 76

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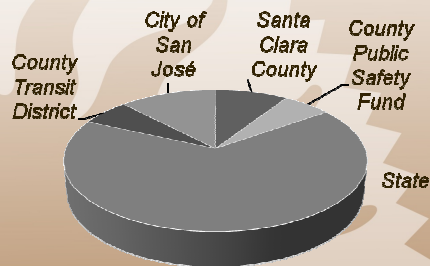
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## Strategy Description

- Increase City Sales Tax Rate from 8.25% to 8.50%
- City receives only small portion of Sales Tax



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## Other Jurisdiction Examples

- Current rate: 8.25%
- Neighboring counties: 8.00% - 8.75%
- City current below some Bay Area peers slightly, above average for largest cities in California
- Elections since 2004 in California:
  - 34 general purpose sales tax increases passed, 24 failed

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## Potential Fiscal Impact

- City currently receives \$125M annually
- Would create additional \$14.5M annually
- Combined maximum tax rate
  - Combined rate cannot exceed 2% in any county for maximum rate of 9.25%

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## Implementation Steps

<b>Authority to Enact</b>	2/3 Council approval to place on ballot Majority voter approval
<b>Timeline/ Key Steps</b>	June-August 2008: Council Approval, develop ballot language, survey November 2008: Ballot

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# Urgent Strategy #9

Increase Sales Tax to Provide  
Increased General Fund Revenues

## Advantages & Concerns Discussion

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## Summary and Next Steps

- Summary of Main Findings, Themes & Follow-Up Actions
- Review Agenda for May 5 Meeting
- Other Items? Meeting Schedule, etc.
- Open Floor for Public Comment

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# City of San José

## Three Year General Fund Structural Deficit Elimination Plan Stakeholder Group Discussion

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